April 27, 2026

The Honorable Louis DiPalma, Chairperson
Senate Finance Committee
82 Smith Street
Providence, Rhode Island 02903

RE: S3154-WEALTH PROCEEDS TAX

Dear Chairperson and Committee Members:

On behalf of the Rhode Island Association of REALTORS® (RIAR), we respectfully submit this testimony in opposition of S3154. RIAR represents more than 5,900 licensed real estate professionals who list, sell, lease, manage, and appraise residential and commercial real estate to make Rhode Island a better place to call home.

S3154 would impose a new 4% tax on "wealth proceeds," broadly defined as net investment income such as capital gains, dividends, interest, rental income, and certain trust-related earnings, for high-income individuals, estates, and trusts. The tax would be applied annually based on federal modified adjusted gross income thresholds and would take effect January 1, 2027.

Disincentivizes Real Estate Investment and Undermines Capital Formation

S3154 risks making Rhode Island a less attractive and less competitive environment for real estate investment at a time when private capital is essential to addressing housing needs.

- Diminishes in-state investment by increasing the tax burden on income derived from real estate assets.
- Positions Rhode Island as comparatively less competitive than neighboring states with more favorable tax structures.
- Encourages capital reallocation to out-of-state markets, particularly among investors with geographic flexibility.

Real estate development, rehabilitation, and ongoing property maintenance rely heavily on consistent private investment. Policies that reduce after-tax returns do not just affect large-scale investors; they also influence the willingness of individuals and small property owners to reinvest locally. Over time, this can slow new construction, delay redevelopment projects, and reduce the overall quality and availability of housing stock.

Exacerbates Housing Supply Constraints and Drives Up Costs

S3154 is likely to intensify existing housing shortages and place additional upward pressure on housing costs.

- Reduces available capital for residential and commercial real estate projects.
- Redirects investment activity to jurisdictions with more predictable and favorable tax environments.
- Suppresses housing production at a time when Rhode Island is already struggling to meet demand.

Housing supply is directly tied to the availability of private investment. When capital becomes more expensive or uncertain, fewer projects move forward and existing properties may see less reinvestment.

Imposes Significant Complexity and Administrative Burdens

S3154 introduces a highly technical tax framework that will be difficult to interpret, administer, and comply with for both taxpayers and the state.

- Expands reliance on intricate federal tax code definitions, including highly nuanced categories of net investment income.
- Complicates compliance obligations for taxpayers with mixed income streams, layered entities, or multistate holdings.
- Creates administrative challenges in allocating income for non-residents, estates, and trusts, increasing the likelihood of disputes and errors.

Taxpayers may face higher accounting and legal expenses, while the state may encounter enforcement and administrative strain. Smaller property owners and family-held real estate investments are less equipped to absorb these burdens, creating disproportionate impacts across the market.

Disproportionately Burdens Small and Mid-Sized Property Owners

S3154 extends well beyond large institutional investors and instead captures many everyday Rhode Islanders who provide critical housing supply.

- Subjects rental income to additional taxation by including it within “wealth proceeds.”
- Affects individuals who rely on real estate income for retirement or supplemental earnings.
- Blurs the line between institutional investors and local housing providers.

Many Rhode Island property owners are not large-scale investors but individuals who own one or two rental properties. Additional taxation on rental income may discourage continued participation in the housing market.

Weakens Long-Term Economic Competitiveness and Investment Climate

S3154 risks undermining Rhode Island’s long-term economic positioning by creating a less predictable and less attractive environment for investment.

- Signals policy instability that may deter long-term investment decisions.
- Erodes Rhode Island’s ability to attract and retain high-income residents and capital.
- Limits economic growth tied to real estate development and related industries.

A strong real estate market supports construction jobs, local tax bases, and community development. Policies that dampen investment can have ripple effects across the broader economy.

Conclusion

RIAR respectfully urges the Committee to consider the broader economic and housing market implications of S3154. While well-intentioned, it discourages investment, reducing housing supply, and increasing costs.

For these reasons, the Rhode Island Association of REALTORS® respectfully urges the Committee to oppose S3154.

Thank you for your time and consideration.

Respectfully submitted,

Trevor J. Chasse
Director, Government Affairs
Rhode Island Association of REALTORS®